

# Financial Review

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Fiscal Year 2025

*Toni Habegger, CPA  
Chief Financial Officer  
Board of Trustees meeting, February 19-20, 2026*

# Key Takeaways from the 2025 Annual Financial Report



ADHERENCE TO  
GOVERNANCE STANDARDS



MEETS REGULATOR AND  
STATUTORY COMPLIANCE  
OBLIGATIONS



FINANCIAL PERFORMAN  
HIGHLIGHTS



SUSTAINED FINANCIAL  
HEALTH

# Areas of Focus



Governance and  
Compliance



Operating  
Statement Analysis



Balance Sheet  
Insights



Financial Indicators

# Purpose and Use

## Governance

- Audits provide review of internal controls over financial reporting
- Present fairly the financial position (materiality)
- Used by credit rating agencies
- Ensures compliance with grant funding requirements
- Consistent and transparent reporting
- Financial health assessment

## Compliance

- State of Washington
- Federal government for Single Audit Compliance
- Regional accreditation bodies
- Dept of ED financial aid eligibility
- Debt Issuance, ongoing disclosure requirements investors

# Budgeting vs. Financial Management

## Budgeting



Annual (biennial) financial plan outlining how funds will be allocated by fund, division, department



Focuses on **controlling expenses, tracking costs**, and ensuring spending aligns with revenue.



Essential for **setting priorities** and improving efficiency in resource allocation.



Primarily reflected in the **Income Statement** (revenues and expenses).

## Financial Management

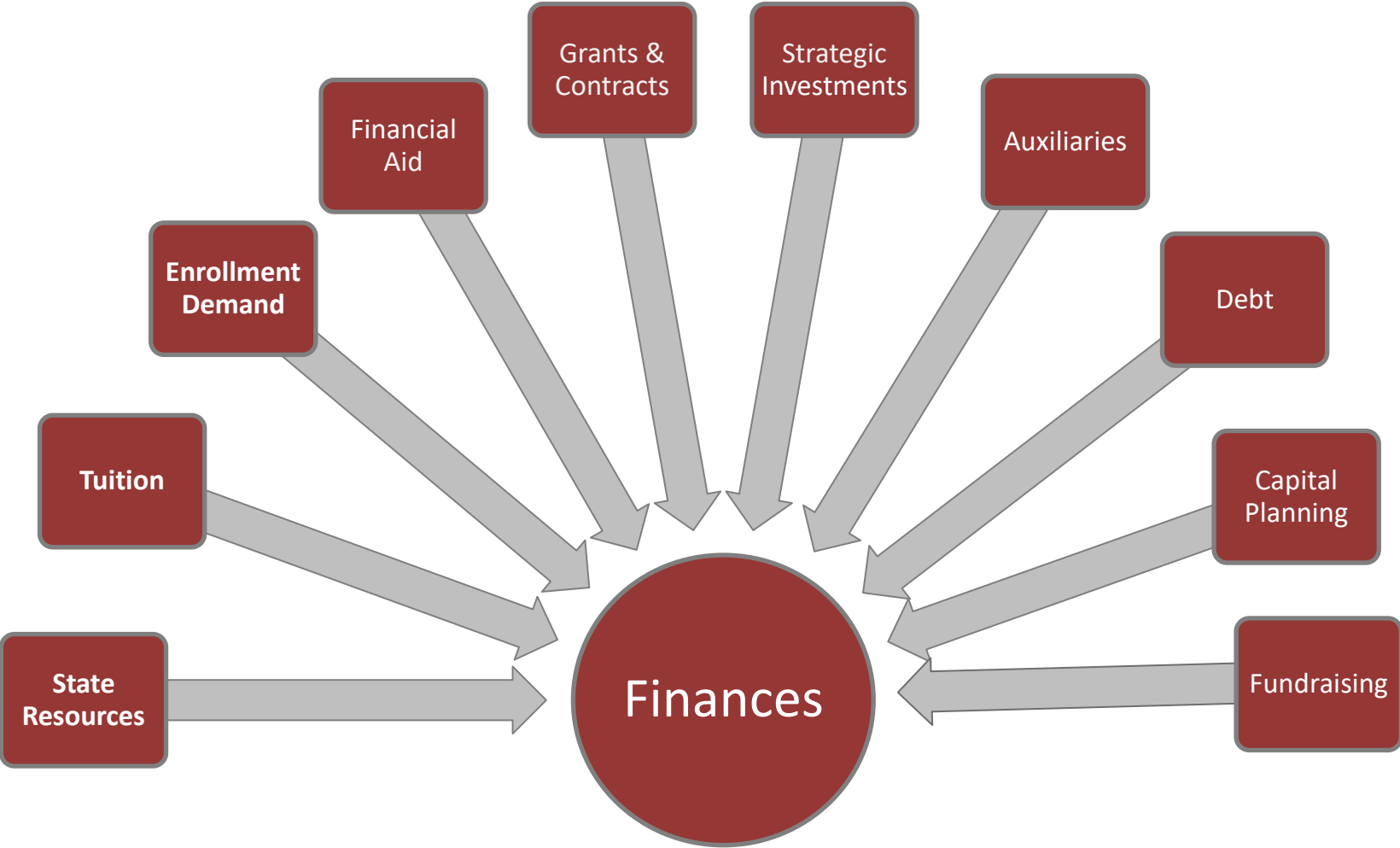
**Comprehensive approach (university level)** to managing financial resources beyond budgeting.

Aims to **optimize financial resources** to achieve EWU's strategic goals and long-term stability.

Includes **risk management, investment planning, cash flow oversight, and debt management**.

Primarily reflected in the **Balance Sheet** (assets, liabilities, and equity) and **Cash Flow Statement**.

# Impacts to Eastern's Financial Position



# Annual Financial Report

- **Management Discussion and Analysis (MD&A)**
  - *Overview of the financial position and financial activities (the overall story)*
- **Statements of Net Position- Balance Sheet**
  - *What EWU owns and owes on June 30*
- **Statements of Revenues, Expenses, and Changes in Net Position- Income Statement**
  - *Annual operating performance*
  - *Change in net position*
- **Statements of Cash Flows**
  - *Categories of how cash is used*
- **Notes to Financial Statements**
  - *Required disclosures that supplement the financial statements*
- **Required Supplementary Information**
  - *Pension and other post employment benefit*
- EWU Foundation included as a component unit in EWU's financial report
- Financial Statements have annual audit
- Results presented to BOT Audit Committee (February 2026)
- Annual financial review at February BOT meeting
- EWU Website Link  
<https://inside.ewu.edu/financialservices/office-of-controller/financial-reports/>

# Operating Statement

## *Statements of Revenues, Expenses and Changes in Net Position*



AT ANY LEVEL OF OVERALL UNIVERSITY ASSETS, EASTERN MUST LIVE WITHIN ITS ANNUAL INCOME OVER TIME.



PRESENTS A CHANGE IN NET FINANCIAL POSITION OVER THE PRIOR YEAR.



ANALYSIS OF PERFORMANCE ON THE UNIVERSITY ACROSS THE INDUSTRY

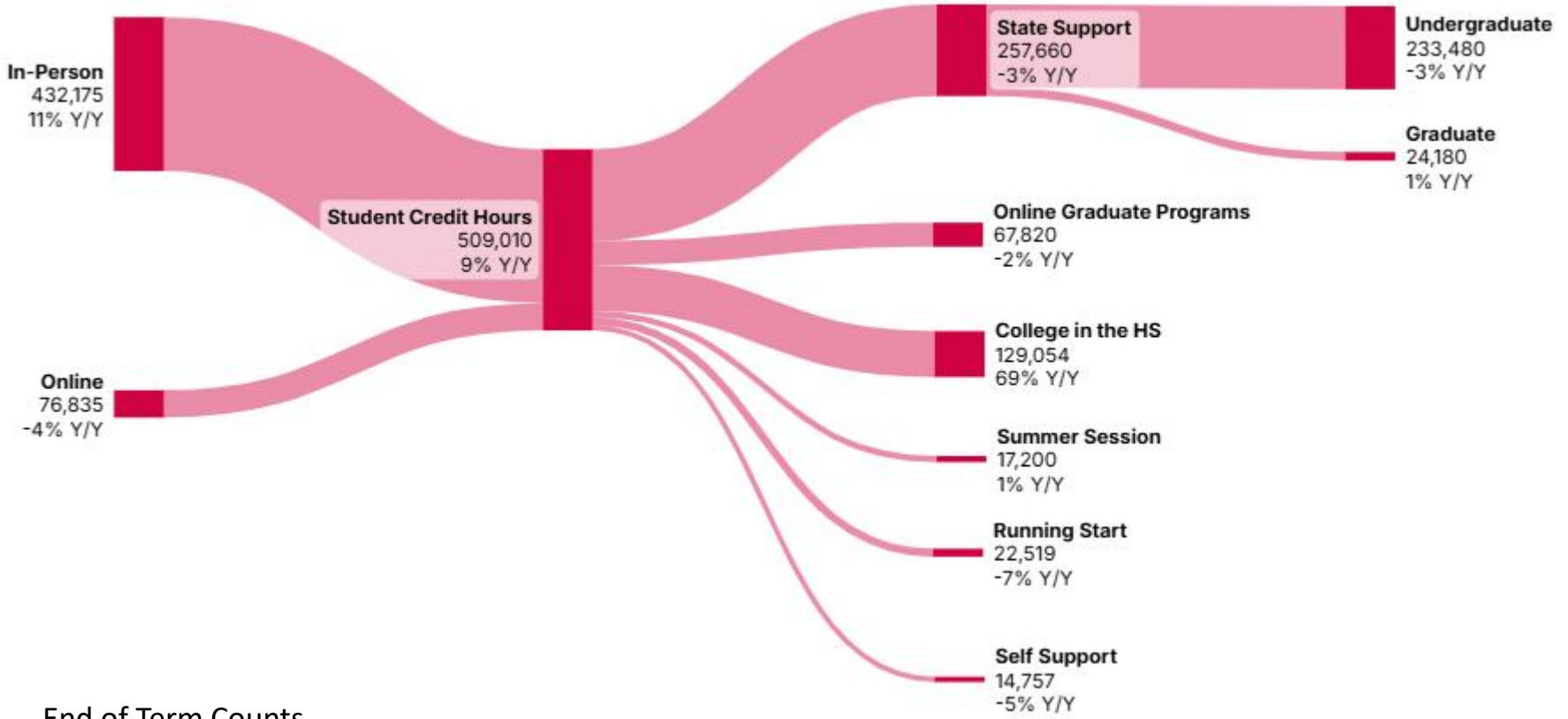


EXPENDITURES REPRESENT THE COST OF PROVIDING SERVICES IN SUPPORT OF THE INSTITUTIONAL MISSION.

- *Revenue*
- *Expenses*
- *Change in Net Position*

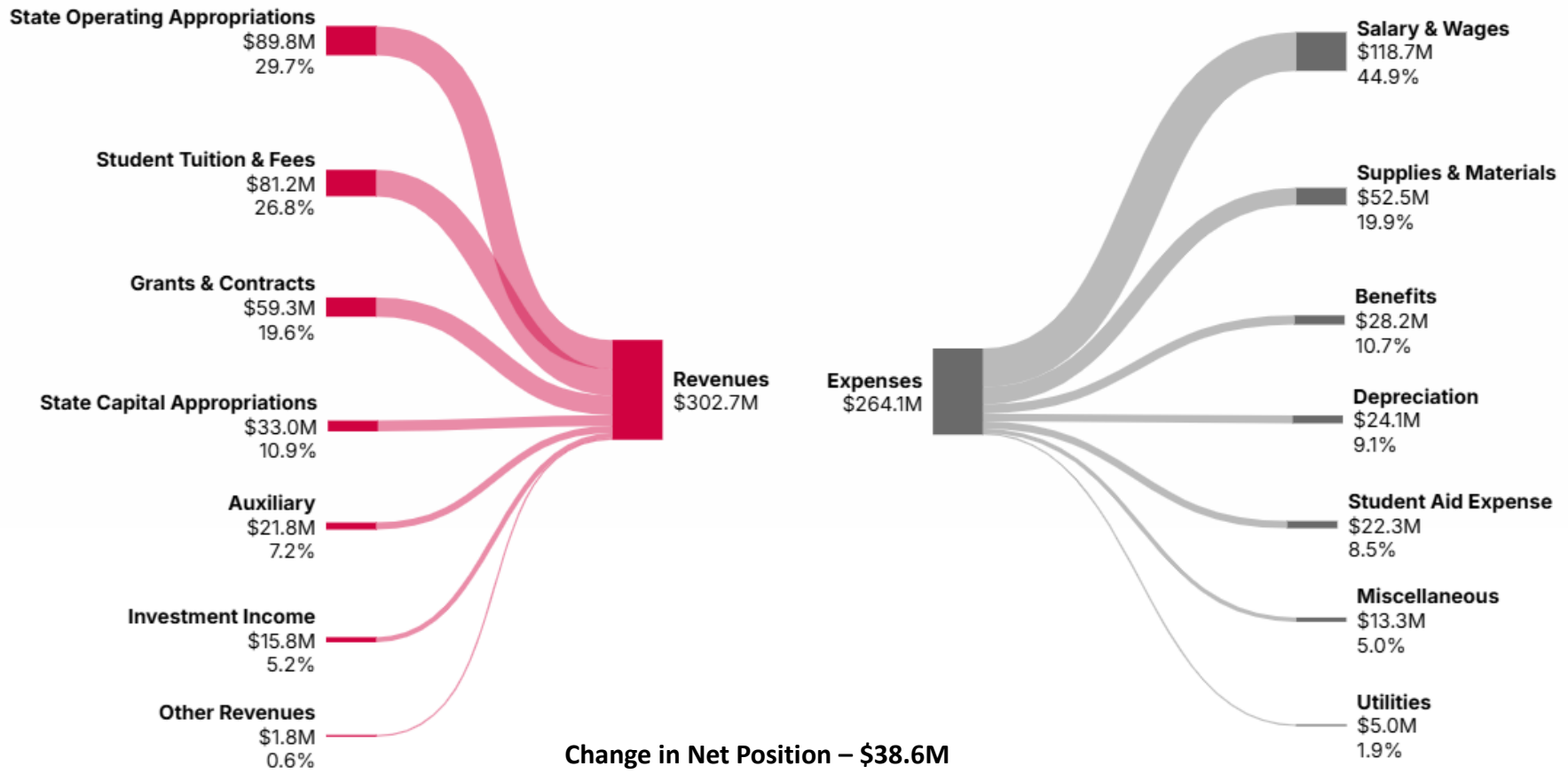
# Student Credit Hours by Source

Twelve Month: Fall 2024 – Summer 25



End of Term Counts

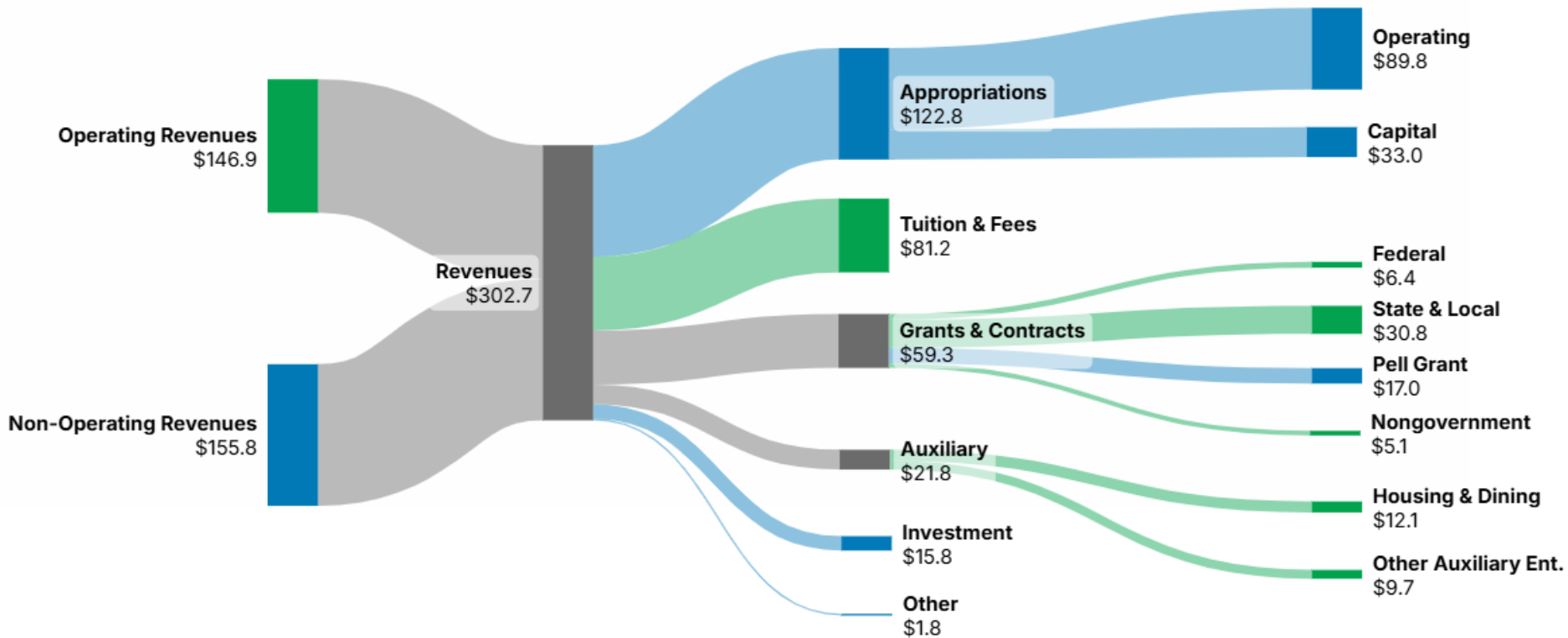
# FY2025 Sources of Revenues and Expenses



**Change in Net Position – \$38.6M**

- \$20.0M increase in capital assets
- \$2.2M decrease in restricted expendable
- \$20.8M increase in unrestricted

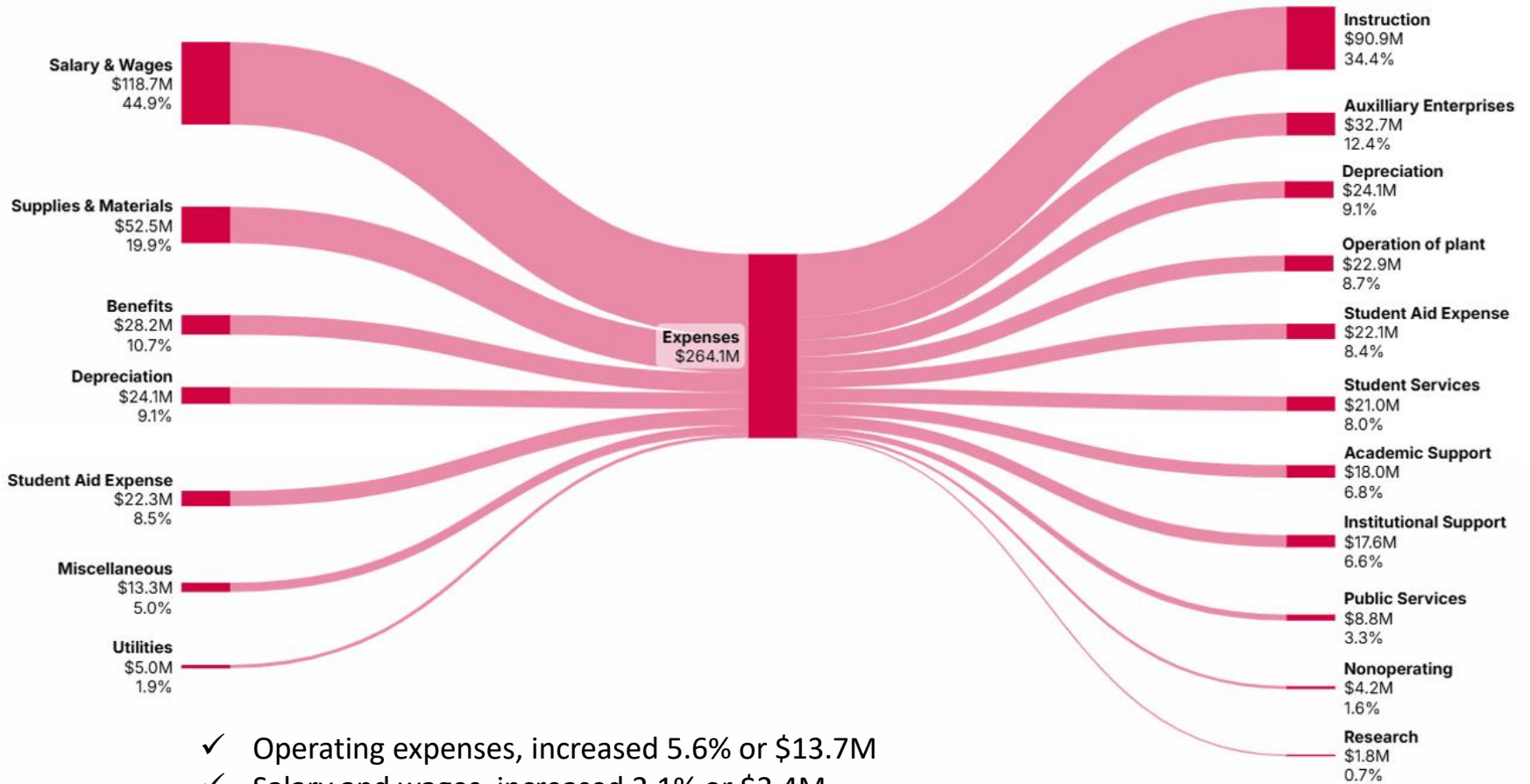
# Revenues



- ✓ Operating revenues, declined 3.7%; \$5.7M
- ✓ Grants and contracts, declined 12%; \$5.8M
- ✓ Auxiliaries, increased 1.0%; \$200K
- ✓ State operating appropriations, increased 3.9%; \$3.4M
- ✓ State capital appropriations, increased 13.1%; \$3.8M

# Expenses

## *Natural and Functional Categories*



- ✓ Operating expenses, increased 5.6% or \$13.7M
- ✓ Salary and wages, increased 2.1% or \$2.4M
- ✓ Benefits, increased 3.6% or \$1.0M
- ✓ Student aid expense, increased 8.2% or \$1.7M
- ✓ Services and supplies, increased 14% or \$6.2M

# Balance Sheet

## *Statement of Net Position*



University Assets and Liabilities at a point in time



A comprehensive view of all that Eastern owns, and all that Eastern owes



Analyze performance with the industry



Analyze debt capacity for future capital investments

# Balance Sheet Overview

All Funds	2025 (millions)	2024 (millions)
Total Assets and Deferred Outflows	\$852.2	\$829.3
Total Liabilities and Deferred Inflows	\$295.3	\$311.0
Net Position (June 30)	\$556.9	\$518.3

## Balance Sheet Highlights

Cash & Investments	+4.5%	+\$10.8m
Receivables	+17.8%	+\$ 3.8m
Capital assets	+4.1%	+\$18.3m
Payables	+48.7%	+\$ 3.6m
Noncurrent liabilities	- 5.7%	+\$ 2.0m
Net Position	+ 7.5%	+\$38.6m

## Change in Net Position – \$38.6M

- \$20.0M increase in capital assets
- \$1.4M increase in unexpended capital funds
- \$2.1 decrease in net pension asset
- \$20.8M increase in unrestricted

# Composite Financial Index



- **Overall measure of financial health**
- Combines the four key ratios using industry standard weighting
- Influenced by enrollment changes, state operating appropriations and tuition and fee pricing changes
- Useful in understanding the financial position of the institution in relation to an industry standard
- Recommended Level = 3

Composite Financial Index



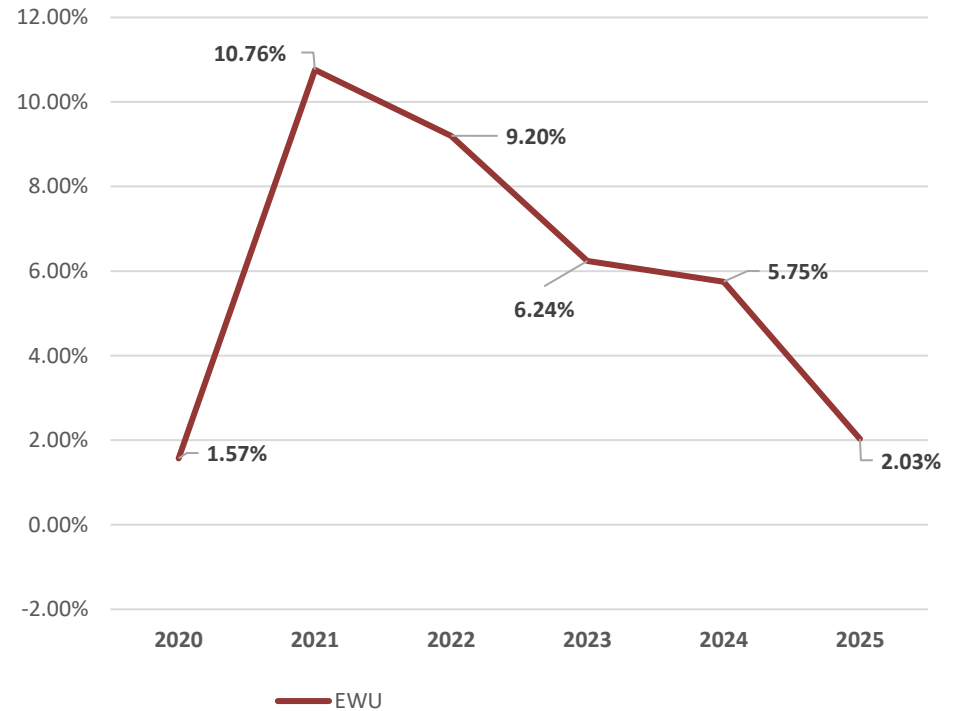
Source: EWU Financial Statements

# Net Operating Ratio



- **Is the institution living within available resources on an annual basis**
- Measures net revenues in contrast to total revenues
- Measured before state capital appropriations
- Targeted ratio should be between 3% and 5%
- A decline in ratio from prior year indicates operating expenses are increasing at a faster rate than operating revenues
- Ratio Components-
  - Net operating and non-operating income (loss)
  - Total operating and non-operating revenue

Net Operating Ratio



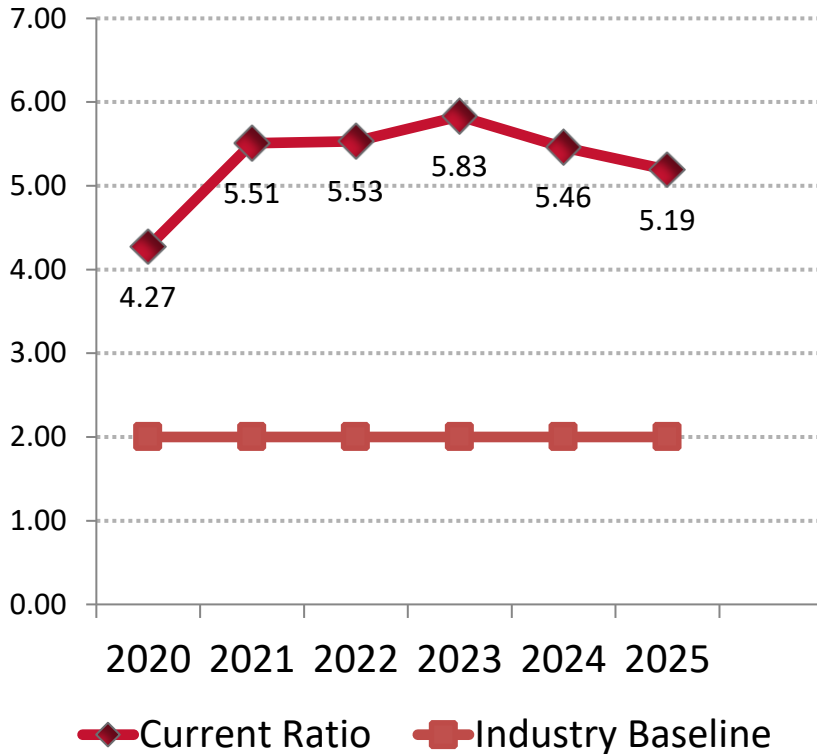
Source: EWU Financial Statements

# Financial Indicators

<u>Financial Indicator</u>	<u>Definition</u>	FY 2025	FY 2024
Tuition dependency ratio (%)	Helps measure sensitivity to changes in enrollment levels	45.2%	44.1%
Annual days cash on hand	Measures the number of days an institution is able to operate (cover its cash operating expenses)	382	387
Current ratio	Measures liquidity – ability to meet current obligations with liquid assets	5.19	5.49
Debt service coverage (x)	Measures actual margin of protection for annual debt service payments from annual operations. A higher ratio is advantageous while a declining ratio may be cause for concern.	2.35	3.00

# Key Balance Sheet Indicators

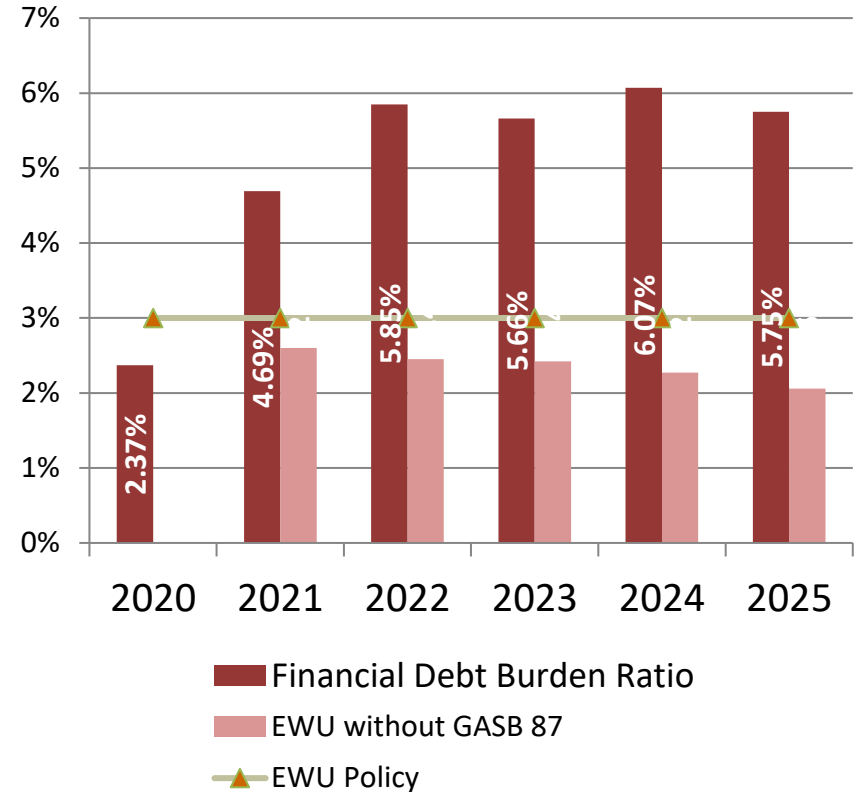
## Current Ratio: Measure of Liquidity



Eastern has consistently remained above the industry baseline with over \$5 of current assets to cover every \$1 of current liabilities.

Source: EWU Financial Report

## Financial Debt Burden Ratio: Measure debt dependency



GASB 87 establishes a single model for lease accounting, requiring lessees to recognize lease liabilities and right-to-use assets, and lessors to recognize lease receivables and deferred inflows of resources.

# Moody's Estimated Scorecard Results

## FY25 Financial Results

Metric	% of Total Score	Value	Indicated Score
<b>Scale (15%)</b>			
Adjusted Operating Revenue (\$000s)	15%	\$242,144	A
<b>Market Profile (25%)</b>			
Brand and Strategic Positioning	10%	Good	Baa
Operating Environment	10%	Very Good	A
<b>Operating Performance (10%)</b>			
EBIDA Margin	10%	8.5%	A
<b>Financial Resources &amp; Liquidity (25%)</b>			
Total Cash and Investments (\$000s)	10%	\$310,510	Aa
Total Cash & Investments to Operating Expenses	15%	1.2x	Aa
<b>Leverage &amp; Coverage (20%)</b>			
Total Cash & Investments to Total Adjusted Debt	10%	1.5x	Aa
Annual Debt Service Coverage	10%	2.8x	Aa
<b>Financial Policy (10%)</b>			
Financial Policy and Strategy	10%	Very Good	A
<b>Indicative Rating</b>			<b>A1</b>

Source: University's 2025 Unaudited Financial Report; Moody's Public Higher Education Rating Methodology

Note: Based on PFM's calculations; actual results may vary

# Financial Outlook

- **Planning for the Future**
  - Deploy New Budget Model– FY2027
  - Continued Investment in the Strategic Plan
- **Campus Investments**
  - New residence hall (use of cash and new debt issuance)
  - Cheney and Spokane based programs
  - Track replacement
  - Dental Clinic
  - Deployment of capital budget funding
- **Long-Term Financial Plan**
  - Align financial planning with EWU's mission and strategic priorities
  - Ensure long term financial sustainability and adaptability to changing economic conditions
  - Revenue diversification
  - Cost containment strategies: Efficiency improvements and process optimizations
  - Campus Master Planning: Aligning infrastructure investments with student and academic program needs
  - Dept Optimization: Managing institutional debt while financing priority projects strategically

**Eastern's business model will be flexible and responsive to the economic environment over time**



**EASTERN**  
**WASHINGTON UNIVERSITY**

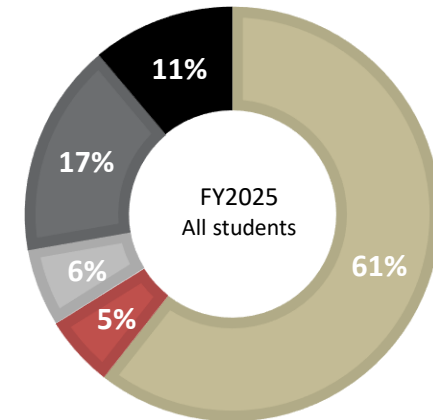
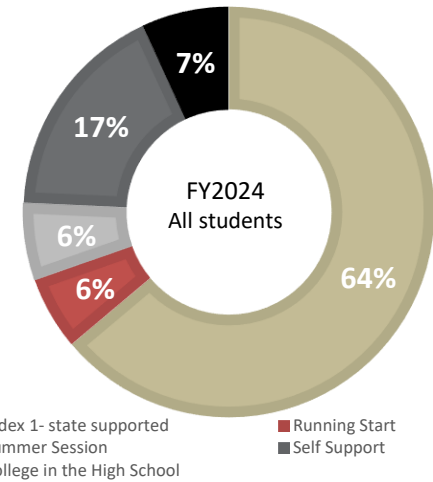
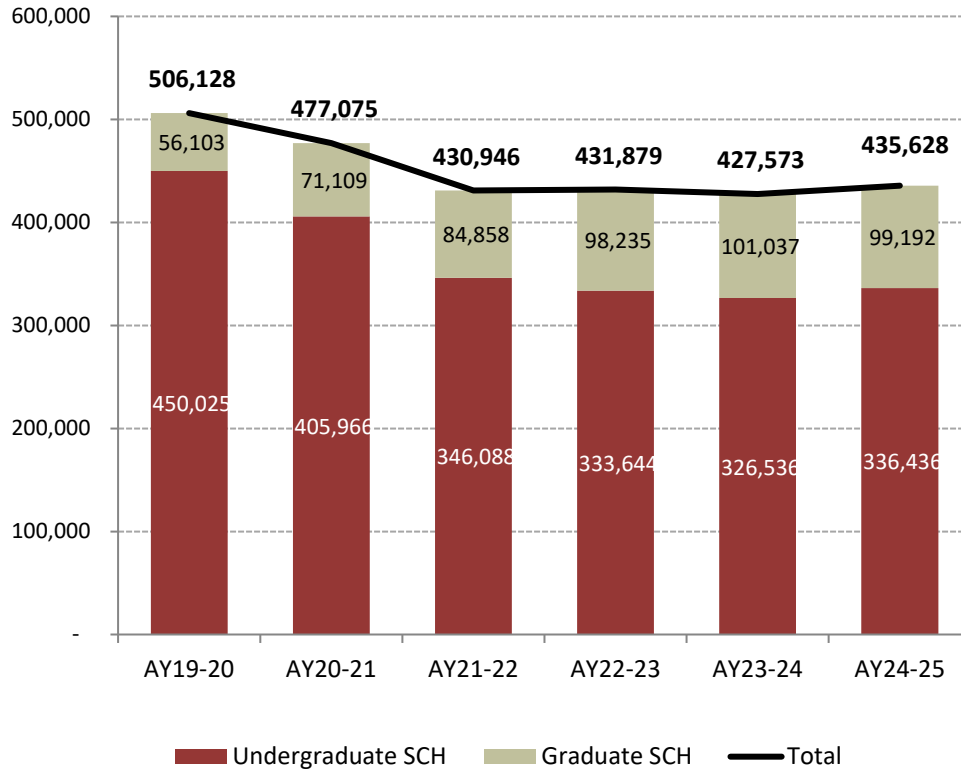
# Appendices

## *Multi Year Trends*

- Enrollment
- Revenue and Expense Detail
- Key Performance Indicators
  - Net Operating Ratio
  - Primary Reserve Ratio
  - Return on Net Position Ratio
  - Viability Ratio
  - Other ratios

# Enrollment-12 Month

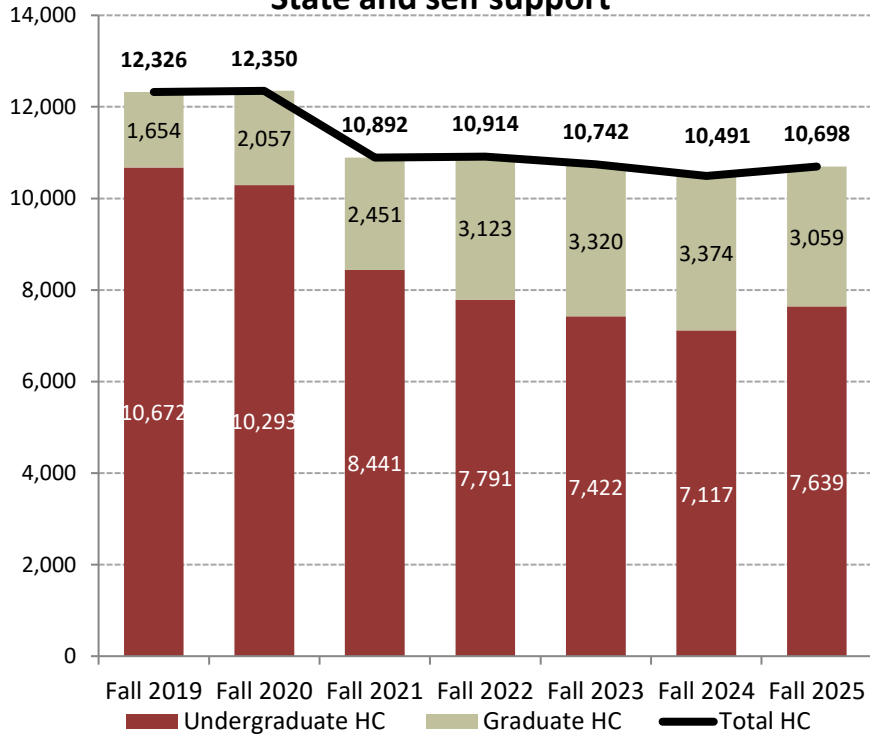
## Student Credit Hours



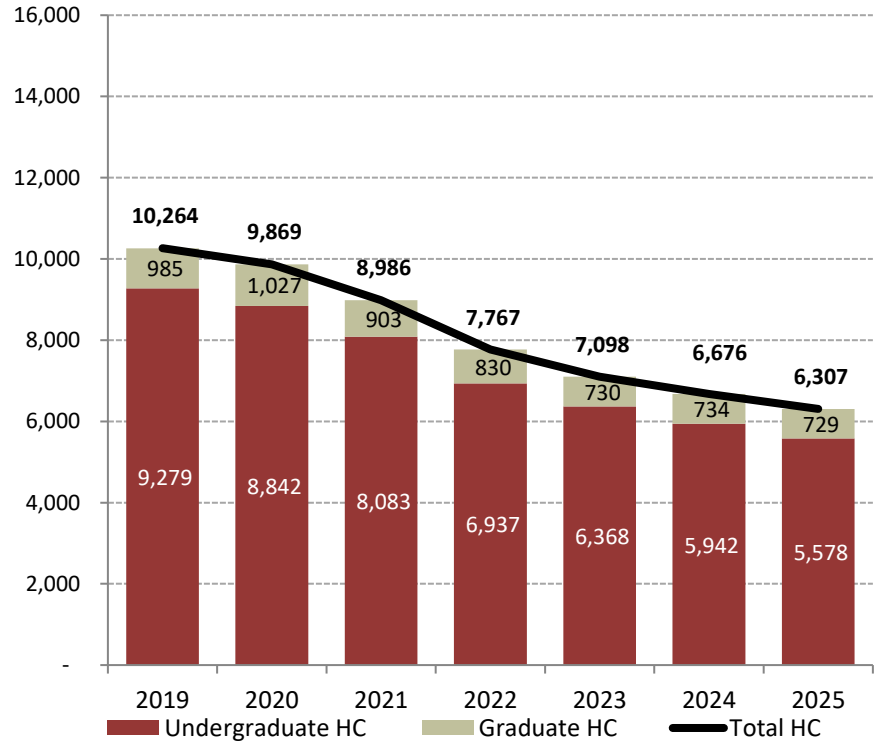
Note: SCH totals based on Fall – Summer term grouping at census date  
 Does not include course credits registered after census date  
 Source: EWU census date enrollments

# Fall and AAHC Enrollment

**Total Fall Head Count  
State and self support**

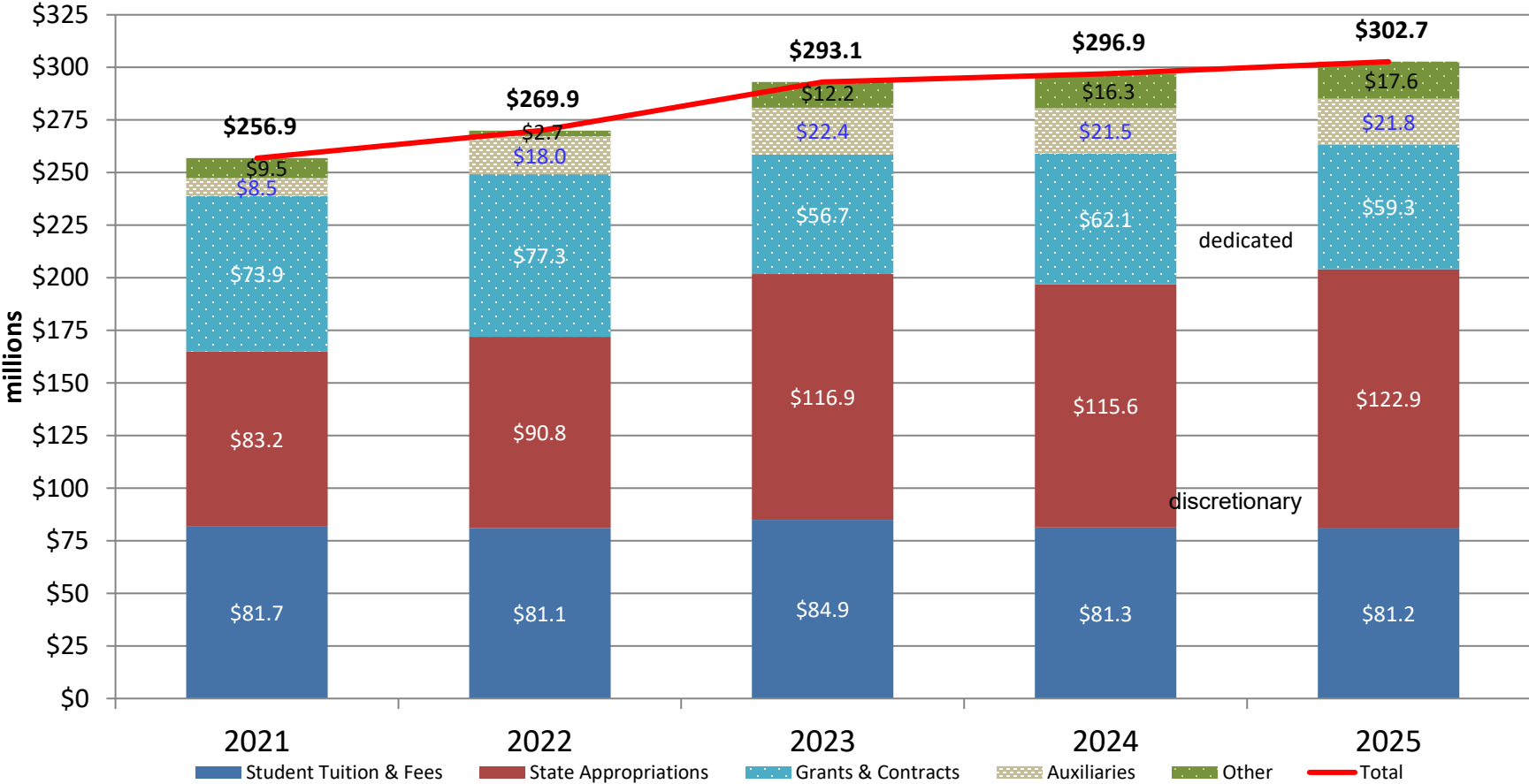


**State Support Index 1 – Average Annual Head Count**



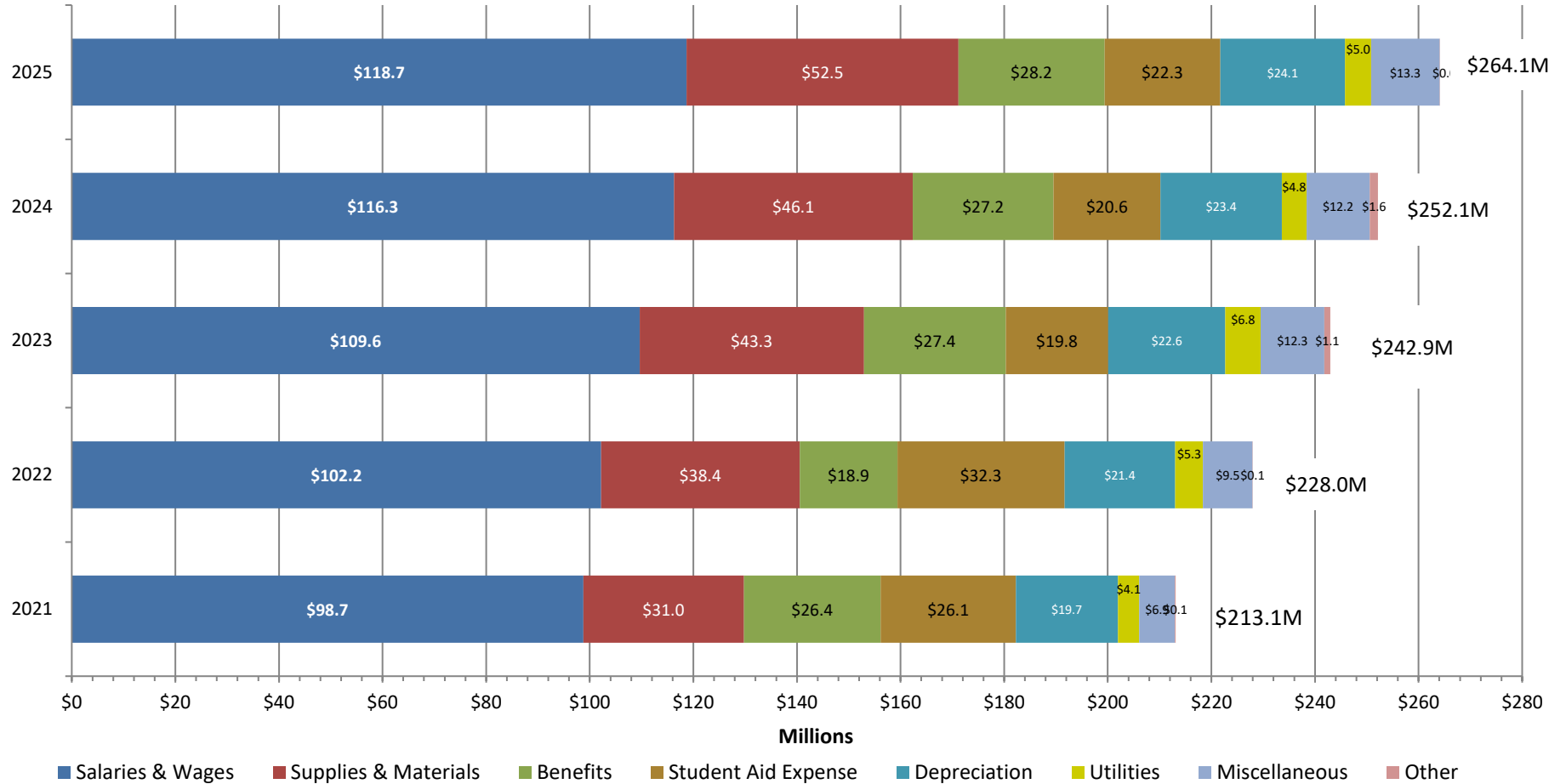
Source: EWU census date enrollments

# University Revenues



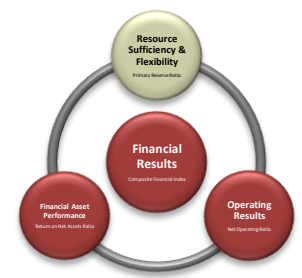
Source: EWU Financial Statements

# University Expenses by Type



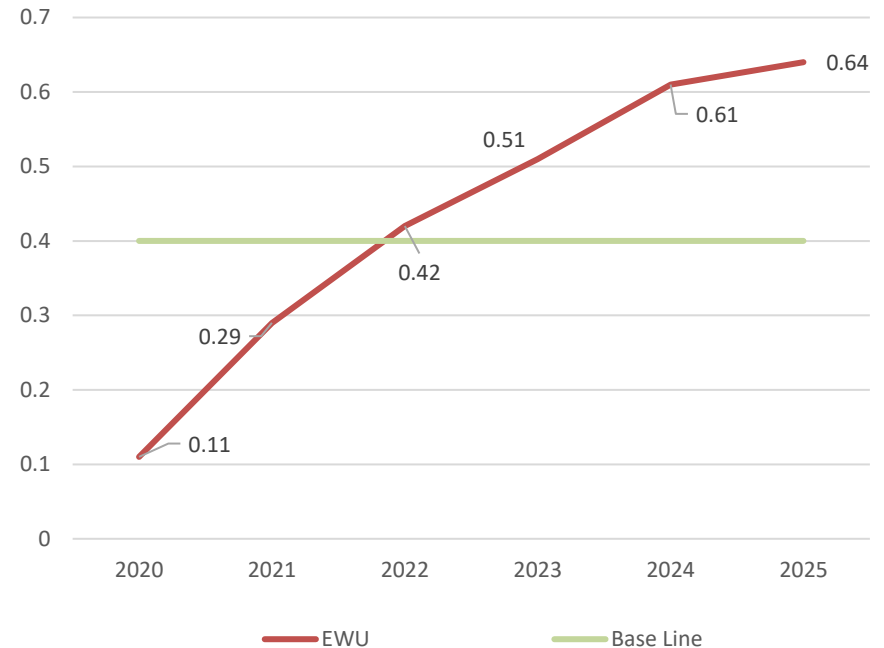
Source: EWU Financial Statements

# Primary Reserve Ratio



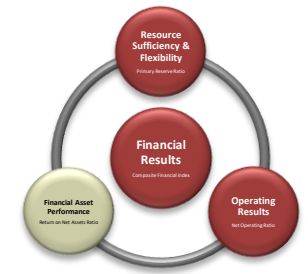
- **Are resources sufficient and flexible enough to support the mission**
- Measures the financial strength by indicating how long the institution could function without additional income
- Recommended Ratio is  $> .40$
- Over time ratio should support reserve levels to ensure are keeping pace with institutional growth
- Unrestricted net position should increase at least in proportion to the rate of growth in expenses
- Ratio components –
  - Unrestricted and restricted expendable net position
  - Operating and non-operating expenses

Primary Reserve Ratio



Source: EWU Financial Statements

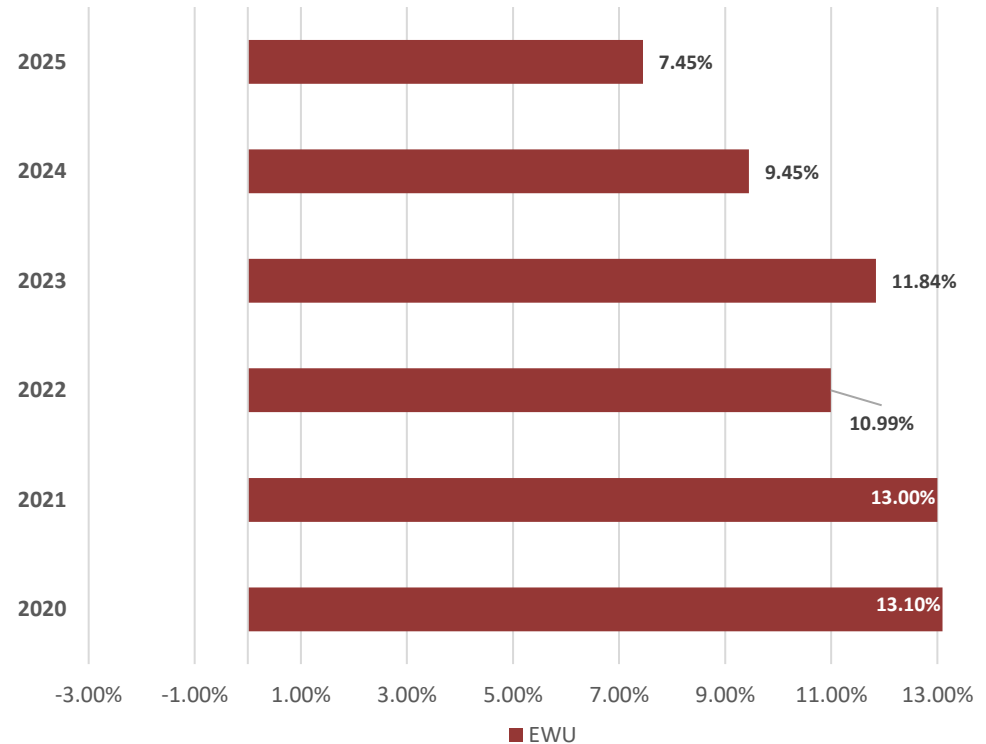
# Return on Net Position Ratio



- **Does financial asset performance support the strategic mission**

- A positive return indicates the institution is financially better off than in previous years by measuring total economic return
- Industry target ratio: 3 – 4%
- An improving trend is indicative of increasing net assets that will strengthen the institution’s financial future
- A decline may be appropriate if it reflects a strategy to investment in mission fulfillment
- Ratio Components –
  - Change in net position
  - Net assets (beginning of year)

Return on Net Position Ratio



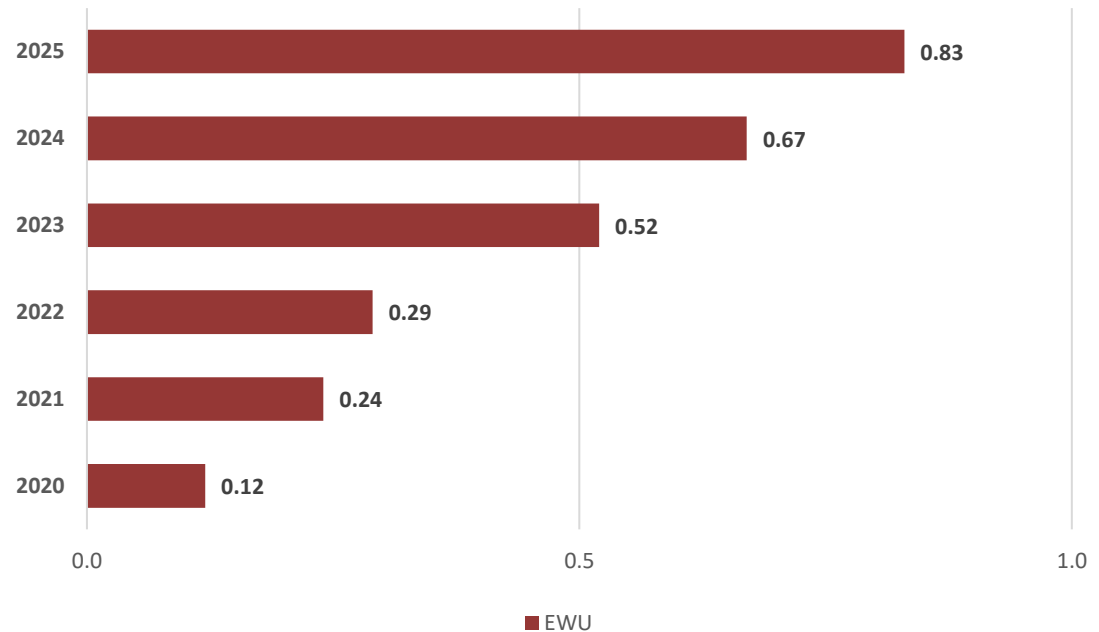
Source: EWU Financial Statements

# Viability Ratio



Viability Ratio

- **Is debt managed strategically to advance the mission**
- Measures the sufficiency of unrestricted net position to satisfy debt obligations
- A higher ratio indicates more funds available to cover debt
- Many institutions operate effectively at less than ratio 1:1 as state operating appropriations are not included in the calculation
- Desired ratio is > 1:1
- Ratio Components –
  - Unrestricted net position
  - Long term debt – current and noncurrent



Source: EWU Financial Statements